



# San Francisco Department of Public Health

Grant Colfax, MD  
Director of Health

City and County of San Francisco  
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Mayor

## MEMORANDUM

TO: San Francisco Health Commissioners  
FROM: Wasim Samara, CMA, Financial Analyst, Business Office of Contract Compliance  
DATE: March 30, 2023  
RE: Financial Analysis for Westside Community Services for the Fiscal Years FY12-13 to FY21-22

### List of the Agency's Contracts:

<i>Department / Program</i>	<i>Contract Name / Description</i>
<i>Department of Public Health</i>	<i>SA-Adult: Methadone Maintenance</i>
<i>Department of Public Health</i>	<i>MH-Adult: Westside Crisis Clinic</i>
<i>Department of Public Health</i>	<i>MH-Adult: Westside IFSO ACT</i>
<i>Department of Public Health</i>	<i>MH-Adult: Westside Outpatient Clinic</i>
<i>Department of Public Health</i>	<i>MH-Child: Child &amp; Adolescent Outpatient</i>
<i>Department of Public Health</i>	<i>HPS: Infectious Disease Testing for Drug Users</i>
<i>Department of Public Health</i>	<i>HHS: AIDS Case Mgmt</i>
<i>Department of Public Health</i>	<i>HHS: Home Care/Hospice/Attendant Care Svcs</i>

### Dear San Francisco Health Commissioners:

The Business Office of Contract Compliance (BOCC) collects and reviews the Audited Financial Statements of non-profit contractors. BOCC aims to assess the fiscal health of the agency, and if needed, refers the agency to technical assistance or any other resources the city can provide.

Below is a summary of the fiscal analysis for the fiscal years FY 12-13 to FY 21-22.

### General Assessment

Beginning in FY 12-13, the agency started to experience issues aligning its revenues with expenses, expending more than the revenue it raises. This trend continued for 8 years, and each year the agency had a significant deficit. It depleted all its operating reserve to compensate for these deficits, and in fiscal years ending 6/30/2019 and 6/30/2020, the external CPA auditors noted a "going concern" in their audited financial statements signaling a warning that the agency might have trouble continuing operations if the financial picture does not change. The Controller's Office issued an "Elevated Concern" in September 2019, and initialized a Technical Assistance workplan. In the most recent two audited financial statements for the years ending 6/30/2021 and 6/30/2022, the agency had a significant improvement in its finances and experienced two consecutive surpluses in

their net income. FY 6/30/2021 was the first net surplus since 6/30/2013. The following are some highlights and risks that will need to be monitored closely:

1. The agency is now generating rental income, and this gave them the ability to generate a surplus of \$452 thousand and \$292 thousand in FY 20-21 and FY 21-22, respectively.
2. The agency received \$1 million of the Payroll Protection Program (PPP) loan, which was used to pay off another \$1.1 million loan payment that was due in FY 21-22. As of 6/30/2022, the PPP loan had NOT been forgiven, and the agency is now required to pay this back in full in FY 24-25. This will require around \$300 thousand per year. If the agency continues to generate the surpluses mentioned above, it should be in a good position to fulfill this debt.
3. Westside was billing the Department of Public Health under cost-reimbursement in these past years. The risk is when the agency reverts to Fee-For-Service as it might not be able to continue the financial improvement, and instead fall back into deficit.

By the end of FY 22-23, BOCC will have completed the Citywide Fiscal and Compliance Monitoring. In this Monitoring, the focus will be on assessing the risk of the agency reverting to Fee-For-Service and a preview on their FY 22-23 financials (determining if the improvements continue or not). *(Note: Due to the implementation of CalAim, it is anticipated that all Mode 15 Outpatient services across BHS will be Cost Reimbursement in FY23-24, so this will continue much of Westside Cost Reimbursement in FY23-24.)*

The table below lists some of the important financial metrics from the agency’s Audited Financial Statements by year.

<b>Fiscal Year Ending in</b>	<b>Audit Findings Expressed by CPA auditors</b>	<b>Total Agency Expenses (in Thousands)</b>	<b>Working Capital Ratio</b>	<b>Risk In Meeting Short-term Obligation</b>	<b>Net Surplus/(Deficit) for the FY (in Thousands)</b>	<b>Net Operating Cash Flow from Operations (in Thousands)</b>	<b>Days of Operating Cash Reserves</b>
6/30/2022	None	\$ 13,806	1.5	Low	\$ 292	\$ 421	33
6/30/2021	None	\$ 10,173	1.6	Low	\$ 452	\$ 477	76
6/30/2020	Going Concern	\$ 9,784	1.3	Moderate	\$ (143)	\$ 423	64
6/30/2019	Going Concern	\$ 10,370	2.2	Low	\$ (110)	\$ 70	1
6/30/2018	None	\$ 10,495	2.1	Low	\$ (549)	\$ (2,900)	1
6/30/2017	None	\$ 11,442	1.5	Low	\$ (1,250)	\$ 1,352	44
6/30/2016	None	\$ 11,178	2.2	Low	\$ (597)	\$ (428)	13
6/30/2015	None	\$ 10,037	4.1	Low	\$ (1,891)	\$ (926)	30
6/30/2014	None	\$ 10,226	5.6	Low	\$ (510)	\$ (1,155)	62
6/30/2013	None	\$ 10,606	5.8	Low	\$ (275)	\$ (806)	96
<b>Total for the past 10 years</b>					<b>\$ (4,581)</b>	<b>\$ (3,472)</b>	

The BOCC rates this agency as a “moderate risk” agency. Moderate risk agencies are agencies that have good financial standing, but also require close monitoring as there might be a few items that could tip the agency into financial trouble.

*Please note: Historical financial results are a reliable indication of future results but are not a guarantee. Although it is a rare occurrence, an agency can change course dramatically during a single year.*

If you have any questions regarding this monitoring, please contact me at wasim.samara@sfdph.org.